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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 002399

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SUBJECT: FAWNING THROGS GREET LULA IN QUITO

REF: QUITO 2332

Classified By: Ambassador Kristie A. Kenney, Reasons 1.5 (b), (d)

11. (C) SUMMARY: Cheering crowds met Brazilian President Lula da Silva at every stop during his August 24-25 visit to Quito. Pre-arrival press was universally positive, portraying the ex-labor leader as a third-world savior and counterweight to the United States. Concurrently, editorials ravaged Ecuador President Lucio Gutierrez for hitching Ecuador's fortunes solely to the United States and the Free Trade Agreement. Perhaps sensing that rolling out the reddest carpet for Lula might offend the USG (and derail the FTA), GoE protocol downgraded the visit from "state" to "official." Along similar lines, Ecuador's foreign minister sought an urgent meeting August 24 with the Ambassador to trumpet Ecuador's earlier refusal to back a pro-Cuba Brazilian initiative.

12. (C) In public remarks Lula predictably promoted his vision for a new economic model, South American unity, and a LatAm economic bloc capable of confronting the U.S. and European Union. Gutierrez seconded the Brazilian's discourse, asserting the international community should fight hunger with the same vigor and united front now reserved for combating terror. Media lauded the scope of the 44-point joint declaration, although the text seems heavy on "resolve to study" and light on "commit to." With pomp and circumstance the GoE assuaged elites who seek Bolivarian unity, while it skillfully avoided commitments likely to dampen U.S. FTA enthusiasm. END SUMMARY.

13. (U) President of Brazil Ignacio "Lula" da Silva conducted an official visit to Ecuador August 24-25, calling on the president and foreign minister, receiving decorations from Congress and the Executive, signing a joint presidential declaration, and speaking briefly before media. A press darling in Ecuador, pre-visit coverage treated Lula like a conquering hero, playing up his supposed success "standing up to the gringos." A South American counterweight to U.S. hegemony was forming, columnists waxed, led by internationalist Lula, a Hugo Chavez re-invigorated by recent referendum results, and Argentina's wildly popular Nestor Kirchner. Ecuador was smart to get aboard.

14. (U) Media accounts differed on specifics, but most ventured that Lula's Quito talking points would include: 1) seeking Ecuadorian support for regional integration, namely tighter ties between Mercosur and the Andean Community of Nations (CAN); 2) fomenting an economic bloc capable of negotiating on level ground with the United States and Europe; 3) inking deals in the energy and telecommunications sectors, and 4) obtaining GoE buy-in for Brazil's bid for UN Security Council permanent membership. A solitary article pondered the risks to the FTA of a too-cozy Lula visit, its authors correctly noting that Ecuadorian exports to the United States were five hundred times greater than its shipments to Brazil.

15. (C) Might a like-thinker exist at the foreign ministry, cognizant that an open-arms welcome to FTA/FTAA basher Lula could complicate ongoing free trade talks with the United States? Perhaps. Foreign Minister Patricio Zuquilanda telephoned the Embassy August 23, urgently seeking a meeting with the Ambassador. At the ministry the next day, Zuquilanda boastfully claimed he had convinced the Brazilians to withdraw a Rio Group initiative to offer Cuba membership (Reftel). "How could a group of democracies dialog with a nation that rejects democracy?," Zuquilanda pondered. He claimed that Gutierrez would deliver the same line to Lula, should Cuba issues arise in bilateral discussions.

16. (U) Run-up atmospherics grew stranger still. Speaking before press August 24, Acting Quito Mayor Antonio Ricaurte protested that Lula would not receive the keys to the city, owing to Gutierrez's opposition. "Quitenos reject the president's attitude," Ricaurte exclaimed. Palace staff responded, arguing that Lula's visit was "official, not state." Stoking further conspiracy theorists, one newspaper wrote that the presidential color guard did not deploy for Lula's palace arrival, a definite snub.

17. (U) The Brazilian leader eventually obtained the city keys, as well as congressional and presidential hardware, in the 22-hour lovefest that followed. Introducing Lula before a special session of Congress, chief legislator Guillermo

Landazuri praised the Brazilian's principled opposition to U.S.-led free trade accords. "Signing the FTA must not in itself be a goal, but rather we should be seeking clear commercial advantages," Landazuri argued. Lula's subsequent diatribe claimed that FTAs were hypocritical and unjust. Surprising, in that Gutierrez praised free trade in his retort to Hugo Chavez's similar remarks at the June OAS General Assembly, the Ecuadorian president followed Lula's remarks with his own bash on neoliberalism. "The current world situation obliges the hemisphere's nations to seek a new order," Gutierrez asserted. He added that "the international community expends too much effort on security considerations and not enough on fighting hunger."

18. (U) The Embassy August 26 obtained a copy of the presidents' joint declaration. While lengthy (44 points), mushy phrases like "resolve to study" and "express their desires to" pepper the text. Highlights include references to the nations' signings of side agreements on energy policy and telecommunications, their intention to seek stronger Mercosur-CAN ties, their determination to combat trafficking in persons (TIP), and their agreement to seek an expanded UN Security Council (with a permanent seat for Brazil). Unilaterally, Brazil offered assistance to Ecuadorian exporters, aiming to reduce the one-sided trade relationship, and committed to helping revamp INECI, the Ecuadorian MFA's bilateral assistance office. Of concern was the leaders' commitment to make the 2005 South America-Arab League summit "a new framework for cooperation and dialog between these regions."

19. (U) Positive security-related themes also made the final declaration cut. Both countries defense ministries will look to augment cooperation, with Brazil possibly providing Ecuador intelligence gathered by SIVAM, its Amazon region collection platform. They hailed their peacekeeping contributions in Haiti and implored the international community to commit long-term to resolving that nation's pressing problems. Compromise reined regarding Cuba, the declaration recommending Rio Group dialog with Castro but only after reaching agreement on a pro-democracy agenda.

110. (C) COMMENT: Lula's working-class roots, gringo bashing, and rhetorical skills make him pop-star popular here. Even Ecuadorian elites cut him slack over his dubious domestic record and diplomatic ham-handedness. Gutierrez, focused of late on October local elections, thus had no choice but to welcome the Brazilian warmly - anything less risked exposing his own political unpopularity. Similarly, good sense dictates that Ecuadorian exporters look to expand overseas markets, although Brazil, which produces many competing products, looks particularly tough to crack.

111. (C) Calls for Latin solidarity notwithstanding, we see no sea change in Ecuadorian foreign or trade policy resulting from Lula's visit. Rhetoric alone cannot make Brazil Ecuador's largest foreign investor, export destination, assistance provider, or migrant destination, all roles currently played by the United States. Gutierrez knows this. While the state/official silliness was clumsy and Zuquilanda's Ambassadorial call contrived, the signal seemed clear: Ecuador desires southern allies, but requires northern friends. END COMMENT.

KENNEY